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## Testimony

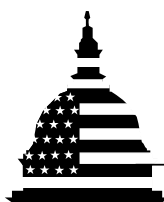
Before the Subcommittee on Technology and  
Procurement Policy, Committee on Government Reform  
U.S. House of Representatives

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# HUMAN SERVICES Federal Approval and Funding Processes for States' Information Systems

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G A O

Accountability \* Integrity \* Reliability

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Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss the federal agency processes related to the approval of state information technology (IT) projects supporting state-administered federal human services programs. These programs include Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps (app. I describes these programs).

Information systems play a central role in the management of human services programs. Historically, information systems have been used to determine participants' eligibility, to process claims, and to provide participant and program information. States are also facing new information systems challenges as a consequence of the sweeping changes brought about by welfare reform,<sup>1</sup> in which states' programs for needy families with children have dramatically shifted their objectives and operations. The technology challenge of welfare reform is to provide the information needed to integrate services to clients and track their progress towards self-sufficiency. To help needy families prepare for and obtain work, case managers need detailed information about factors such as family circumstances, job openings, and support services, which is very different from the information needed to issue timely and accurate cash assistance payments.

Recognizing the importance of automated systems in state-administered federal human services programs, the Congress enacted various legislative provisions encouraging states to implement certain systems to improve program efficiency. In addition, federal agencies have provided technical and funding assistance. For example, in the Family Support Act of 1988 and other acts, Congress provided funding to states to develop a single statewide child support enforcement system.<sup>2</sup> The federal agencies responsible for the Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps programs also have processes in place to review and approve state IT planning and acquisition documents supporting state human services systems as a prerequisite for states to receive federal funding for these systems. Although there are exceptions, as a general rule, the federal agencies are required to respond to these state requests for approval within 60 days. This federal review and approval process was designed to promote accountability for the use of federal funds, mitigate financial risks, and avoid incompatibilities among systems.

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<sup>1</sup>The Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

<sup>2</sup>Various legislative provisions authorized up to 90 percent federal funding of these systems between fiscal years 1988 and 1997, up to 80 percent from fiscal years 1998 to 2001, and 66 percent thereafter.

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Because of the importance of IT in achieving the programmatic goals of state-administered federal human services programs, you asked us to study the approval and funding of information technology projects for state-administered federal programs for the following four programs: (1) the Department of Health and Human Services' (HHS) Administration for Children and Families (ACF) Child Support Enforcement program, (2) ACF's Child Welfare program, (3) HHS's Centers for Medicare and Medicaid Services (CMS) Medicaid program, and (4) the Department of Agriculture's Food and Nutrition Services (FNS) Food Stamps program. Specifically, our objectives were to determine, for these four programs,

- the statutory and regulatory requirements for federal approval and funding of state IT development and acquisition projects;
- whether agency processes for reviewing, approving, and funding state IT development and acquisition projects for these programs hinder or delay states' efforts to obtain approval for these projects; and
- how the agencies ensure that they consistently apply the Office of Management and Budget's (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, to fund IT development and acquisition projects.

In doing this work, we reviewed applicable federal statutes and regulations as well as ACF, CMS, and FNS policies and guidance. We also obtained and analyzed information on state requests for the approval of planning documents (called advance planning documents and advance planning document updates) and acquisition documents (i.e., requests for proposals,<sup>3</sup> contracts,<sup>4</sup> and contract modifications) for fiscal years 2000 and 2001. On the basis of this information, we selected and analyzed examples of cases in which the federal agency took more than 60 days to process the request.<sup>5</sup> As part of this analysis, we reviewed files and interviewed responsible federal and state officials. However, we did not assess the adequacy of the analyses performed and the subsequent

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<sup>3</sup>States used various terms to describe procurement request documents, such as request for proposals and invitations to bid. For purposes of this statement, we refer to such documents as requests for proposal.

<sup>4</sup>States used various terms to describe acquisition documents, such as contracts and purchase orders. For purposes of this statement, we refer to such documents as contracts.

<sup>5</sup>Federal regulations require ACF, CMS, and FNS to respond to state requests for approval of advance planning documents, requests for proposals, contracts, and contract modifications within 60 days. Federal regulations also require FNS to respond to state requests for approval of advance planning document updates within 60 days.

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response by the applicable federal agency. We also interviewed agency and OMB officials on how they ensure that the cost allocation provisions of OMB Circular A-87 pertaining to IT development and acquisition projects are consistently applied. Appendix II provides additional details of our scope and methodology.

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## Results in Brief

Federal approval and funding for state IT development and acquisition projects for the Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps programs are largely governed by statutory and regulatory requirements. These requirements establish the federal funding participation rates, the documentation (e.g., advance planning documents, each of which includes a cost allocation plan and feasibility study; requests for proposals; and contracts) that states must submit, and the timeframes in which the federal agency must respond to the request. With some exceptions (primarily related to the federal financial participation rates), the requirements for the four programs are largely the same. States cannot receive federal funding for developing and acquiring IT systems for the Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps programs without obtaining approval of these planning and acquisition documents.

A thorough assessment of the federal approval and funding process requires complete and reliable data that track a request from the time the federal agency first receives it until the agency finally approves or disapproves the request. However, such information is not readily available and the process cannot be thoroughly assessed because (1) the system used by ACF and CMS headquarters to manage the approval process does not track the life cycle of a request<sup>6</sup> and (2) FNS and CMS regional offices do not have a central tracking system.<sup>7</sup> However, through a meticulous manual inspection of related paper documents and reviews of system reports, we were able to determine that in a vast majority of cases, agencies responded to states' IT planning and acquisition requests

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<sup>6</sup>The system used by ACF and CMS tracks the state request and the federal response. However, if the federal response is to ask for additional information, the case is closed with the date of the letter requesting the information, even though the federal agency has not made a final approval or disapproval determination. A state response to this request for additional information is assigned a separate case number and tracked separately.

<sup>7</sup>Because FNS had a relatively small number of state requests, we reviewed the necessary documentation for each state request and calculated the total time until federal approval or disapproval to be about 66 days.

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within 60 days, as generally required by regulation.<sup>8</sup> Moreover, in 48 of 51 cases in which the agency did not respond within 60 days, state officials reported that the timing of the federal response did not hinder state IT projects. Nevertheless, in response to state complaints that the federal approval process was burdensome and to a prior GAO recommendation to identify and implement plans to facilitate states' efforts to improve their systems, ACF, CMS, and FNS formed a workgroup about 2 years ago to improve the federal approval process. However, progress has been stymied by a lack of agreement among the agencies. Accordingly, at this time there are no plans to improve the APD process.

State cost allocation plans—which are used to identify, measure, and allocate expected project costs among the state and the federal program(s)—for systems development and acquisition projects must be approved by each federal agency expected to provide funding. To ensure that they provide a consistent response to state requests that include cost allocation plans, ACF, CMS, and FNS officials stated that they coordinate their reviews of multiprogram requests. These reviews are based on the requirements set forth in OMB Circular A-87,<sup>9</sup> which provides the states wide latitude in developing cost allocation plans for IT development and acquisition projects. However, in 3 of 11 cases we reviewed,<sup>10</sup> the departments of Agriculture and HHS provided inconsistent responses to the state. State officials noted that inconsistent federal responses cost the state in time and staff resources to negotiate and resolve these differences. Accordingly, to lessen the burden on the states, it is critical that the federal departments work together to ensure that they respond to the states in a consistent manner.

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## Background

The federal government has spent billions of dollars supporting the planning, development, and operation of state systems that support the Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps

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<sup>8</sup>Federal regulations require ACF, CMS, and FNS to respond to state requests for approval of advance planning documents, requests for proposal, contracts, and contract modifications within 60 days. Federal regulations also require FNS to respond to the state requests for approval of advance planning document updates within 60 days.

<sup>9</sup>Office of Management and Budget, Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* (Aug. 29, 1997).

<sup>10</sup>These 11 cases were common submissions (i.e., the same submission was made to FNS and HHS) in which at least one of the departments' responses to the state exceeded 60 days. There could be additional state submissions sent to both the departments of Agriculture and HHS that we did not identify because both departments responded within 60 days or the documents were not clear that it was a common submission (e.g., the dates of the state submission to the two departments were significantly different).

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programs. For example, in fiscal year 2000 alone, the federal government's expenditures for IT planning, development, acquisition, and operations for these systems totaled \$1.9 billion.<sup>11</sup> States request funding for a wide variety of projects, such as the following:

- Electronic benefits transfer systems, which allow food stamp recipients to authorize the electronic transfer of their government benefits from a federal account to a retailer account to pay for products received. According to FNS, as of June 2002, 49 states, the District of Columbia, and Puerto Rico were using these systems in some form to issue food stamp benefits.
- Statewide systems that support the Child Support Enforcement and Child Welfare programs. For example, one state was developing a statewide child welfare system to compile and help implement a comprehensive set of child welfare and protection practices. When implemented, the system is expected to replace many nonintegrated systems with a single, comprehensive one.
- Infrastructure projects that support multiple programs. For example, one state planned to procure an enterprise portal to serve as a universal point of access to the state government's information and services, including those related to federal programs.

State initiatives for human services systems can be complex, large-scale undertakings, and states face a broad range of issues in developing and implementing them. At a 2001 conference on modernizing information systems for human services sponsored by GAO and others,<sup>12</sup> participants identified the following issues states face in developing and implementing these systems:<sup>13</sup>

- obtaining support for the project from the state's leadership;

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<sup>11</sup>This figure reflects only the fiscal year 2000 expenditures actually reported to the states to date. States have up to two years to claim reimbursement for their IT expenditures, so these figures may change in the future. We did not verify this amount, which was provided by the agencies in our review.

<sup>12</sup>The other sponsors of this conference were the Nelson A. Rockefeller Institute of Government, the National Health Policy Forum, and the Finance Project (Welfare Information Network).

<sup>13</sup>U.S. General Accounting Office, *Human Services Integration: Results of a GAO Cosponsored Conference on Modernizing Information Systems*, GAO-02-121 (Washington, D.C., Jan. 31, 2002). Appendix II of this report identifies the participants of this conference, which included individuals representing the four key sectors involved in developing information systems for human services—the Congress, federal agencies, state and local governments, and IT contractors.

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- obtaining support for the project from staff who will use the system;
  - providing adequate training to staff who will use the system;
  - obtaining adequate funding for developing and operating state and local information systems;
  - maximizing the system's compatibility with other systems and the capability to support future upgrades;
  - minimizing the risk that conversion to the new system will result in the loss of functions or data;
  - overseeing contractors' performance to maximize the cost effectiveness of systems development;
  - ensuring adequate state management of the project that can survive personnel changes; and
  - minimizing adverse effects of competition among state agencies for information systems resources.

In addition, one of the key challenges for systems modernization identified by the participants at this conference was simplifying the approval process for obtaining federal funding for information systems.<sup>14</sup> This process, generally called the "APD process," requires states to submit various documents for approval in order to receive federal funding. Specifically, subject to the statutory and regulatory requirements and thresholds discussed in appendix III, states submit the following:

- Advance planning documents (APDs), which, depending on whether the project is in the planning or implementation stage, can include a statement of needs and objectives, a requirements analysis,<sup>15</sup> a feasibility study,<sup>16</sup> a cost-benefit analysis, a statement of alternatives considered, a project management plan, a proposed budget, and

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<sup>14</sup>Two other challenges identified were enhancing strategic collaboration among different levels of government and obtaining staff expertise in project management and information technology.

<sup>15</sup>According to 45 C.F.R. Sec. 95.605, a requirements analysis documents the information needs and functions and technical requirements that the proposed system must meet.

<sup>16</sup>According to 45 C.F.R. Sec. 95.605, a feasibility study is a preliminary study to determine whether it is sufficiently probable that effective and efficient use of automatic data processing equipment or systems can be made to warrant a substantial investment of the staff, time, and money being requested and whether the plan is capable of being accomplished successfully.

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prospective cost allocations. There are two major types of APD submissions—planning and implementation—which are used at prescribed stages in the state systems development and acquisition process.

- APD updates, which are used by federal agencies to keep informed of the project status and by the states to obtain funding throughout the project’s life. APD updates must be submitted annually or “as needed,” which is defined as when there is a projected cost increase of \$1 million or more, a schedule extension for major milestones of more than 60 days, a significant change in the procurement approach, a change in system concept or scope, or a change to the approved cost allocation methodology.
- Requests for proposals (RFPs) related to the planned system, such as to solicit bids to develop a system or to provide independent verification and validation services. RFPs may be submitted throughout the life of the project (i.e., the planning, implementation, or operations phase). Unless specifically exempted by the agency(s), RFPs are to be approved before public release.
- Contracts and contract modifications related to the planned system, which must include certain standard clauses and may be submitted throughout the life of the project. Unless specifically exempted by the agency(s), contracts are to be approved before being finalized.

ACF, CMS, and FNS review these submissions and make funding decisions on the basis of their review, which they are generally required to complete within 60 days.<sup>17</sup> Once the federal agency has reviewed the state request, it can respond by approving or disapproving the request or requesting additional information from the state.<sup>18</sup> Although the agency’s response is generally to be provided to the state within 60 days, if the federal agency requests additional information from the state, once the state responds the agency has another 60 days to review and respond to the state reply.<sup>19</sup>

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<sup>17</sup>Except for FNS, agencies are not required to provide their response to states within 60 days for APD updates. For HHS agencies, the regulations do not specify a timeframe for the federal response to an APD update. If the agencies do not respond to the state in the required timeframes, then the states automatically receive provisional approval, which allows the state to proceed.

<sup>18</sup>Federal agencies sometimes responded with a conditional approval of the state request, providing approval but asking the state to address certain concerns.

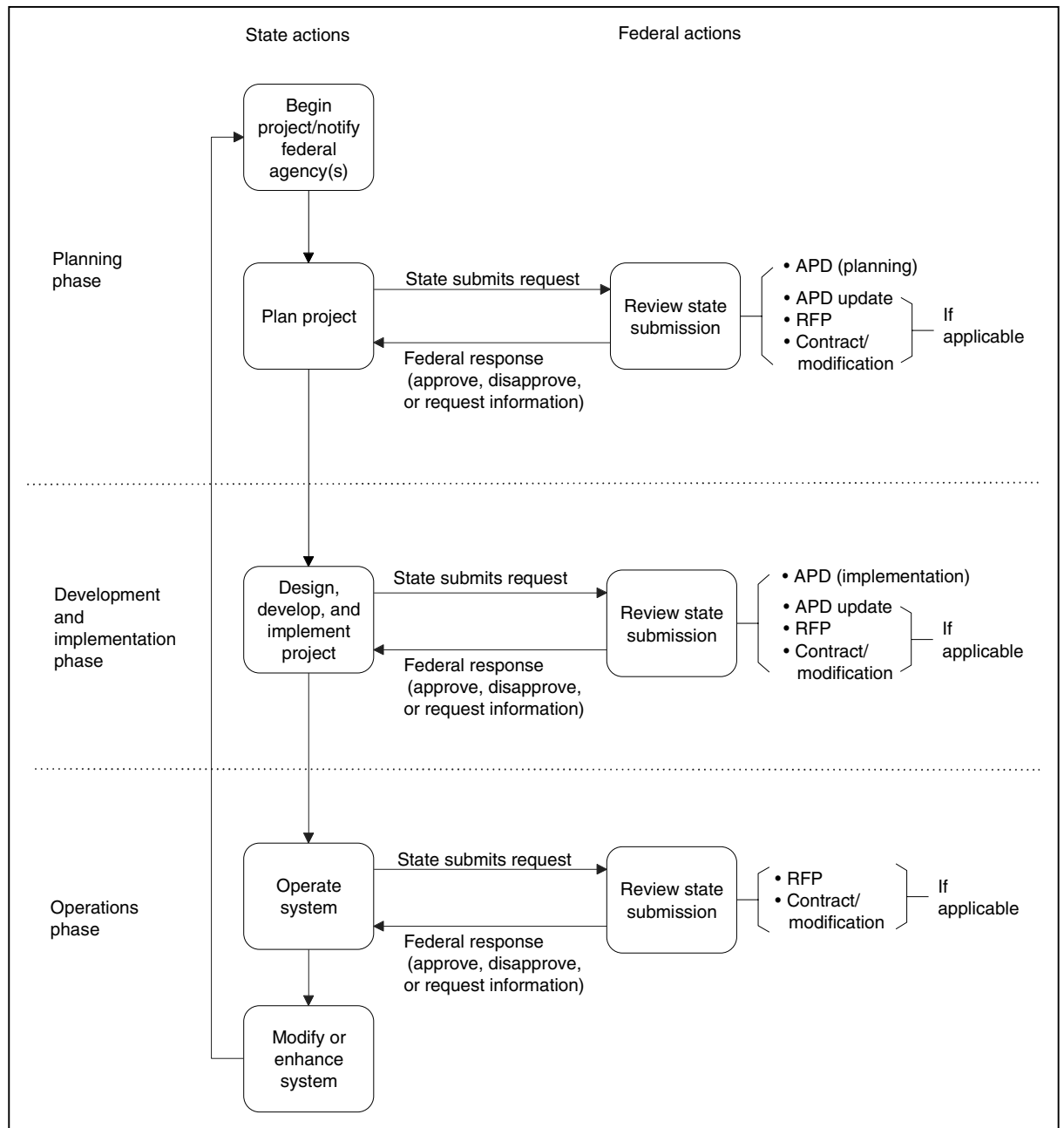
<sup>19</sup>Of course, rather than ask the state to submit additional information, the agency could disapprove the request, and the state would have to submit for approval a new or revised document to obtain federal funding.



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Figure 1 is a simplified illustration of this general process. In addition, although figure 1 shows an iterative process, under various circumstances states may submit documents concurrently.

**Figure 1: APD Process Overview**



Source: GAO.

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If a system is to be used for more than one federal program, documents that meet the separate requirements of each program must be submitted and approved, and planning and development costs are allocated to the various programs benefiting from the system investment. (The same documents can be submitted to each agency.<sup>20</sup>) For example, a state request related to a project that supports the Food Stamps, Medicaid, and Child Support Enforcement programs requires submission to the departments of Agriculture and HHS. Within HHS, for multiprogram requests, ACF's State Systems Policy Division is to distribute the material to applicable program offices (in the above case to CMS and ACF's Office of Child Support Enforcement) and coordinate responses so that a single departmental letter is sent to the state.

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## Statutory and Regulatory Requirements Govern the Federal Approval Process

The Congress and the departments of Agriculture and HHS have issued statutory and regulatory requirements, respectively, that govern the processes related to the approval of funding for state information technology projects associated with state-administered federal human services programs. This funding is intended to encourage states to implement systems to achieve programmatic goals, such as to improve program management and performance and to reduce error rates. However, to exercise their stewardship responsibilities over funding provided to the states, the departments and, in the case of Child Support Enforcement, the Congress, require states to submit planning and acquisition documents for approval. States cannot receive federal funding for developing and acquiring IT systems for the Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps programs without obtaining such approval.

Although many of the requirements for these programs are the same, there are differences. For example, as shown in table 1, the federal financial participation rates vary.

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<sup>20</sup>According to FNS and CMS officials, states can submit to the federal agencies the same documentation needed for internal state review processes.

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**Table 1: Federal Financial Participation Rates by Program**

Program	Nature of funding	Federal /state funding percentage for information systems
Child support enforcement	Entitlement	66/34—system planning and development 66/34—system operations
Child welfare	Entitlement	50/50—system planning and development 50/50—system operations
Medicaid —eligibility	Entitlement	50/50—system planning and development 50/50—system operations
—claims processing		90/10—system planning and development 75/25—system operations
Food stamps	Entitlement	50/50—system planning and development 50/50—system operations

Source: GAO analysis of applicable statutes.

In addition, whereas the APD requirements relating to the approval and funding process for the Child Support Enforcement program are based in part in statute, the requirements for the other programs are based on regulations separately promulgated by the departments of Agriculture and HHS (although they largely mirror each other).<sup>21</sup> Appendix III provides additional detail on selected federal statutory and regulatory requirements related to the process for obtaining federal funding for IT development and acquisition projects.

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<sup>21</sup>For Child Welfare, the requirements related to APDs and APD updates and, for Medicaid, the requirements for APDs used to be in statute. However, legislation in 1996 (the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) and 1997 (the Balanced Budget Act of 1997) eliminated these statutory requirements for Child Welfare and Medicaid, respectively.

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## States Reported Limited Impact from Federal Responses Provided after 60 Days, but Key Information Is Lacking

Although some state officials have reported that the federal approval process takes too long, we were unable to comprehensively analyze how much time the process took because the federal agencies did not track the life cycle of state requests. While the entire approval process time generally could not be determined, ACF, CMS, and FNS responded (i.e., approved, disapproved, or requested additional information) to state requests within established timeframes about 89 percent of the time.<sup>22</sup> Moreover, according to state officials, in only a few cases in which the federal response took over 60 days was the state IT project negatively affected. Nevertheless, officials from about one-third of the states in our review cited overall concerns with the federal approval process or wanted a more streamlined process. To address state concerns, ACF, CMS, and FNS formed a workgroup about 2 years ago to improve the federal approval process, but progress has been slow, and there are no plans at this time to improve the APD process.

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## Agencies Do Not Track Data Necessary to Assess the Timeliness of the APD Process

The APD process was designed to promote accountability for the use of federal funds, mitigate financial risks, and avoid incompatibilities among systems. However, among the concerns raised at the 2001 conference on modernizing information systems for human services<sup>23</sup> was that with technology advancing so quickly, by the time federal funding under this process is approved, state plans may be obsolete.

Because the federal response to a state request may be to ask for additional information, a thorough assessment of the state's concerns about timeliness requires reliable data that track a request from the time the federal agency first receives it until the agency finally approves or disapproves it. However, this information is not readily available because (1) the system used by ACF and CMS headquarters to manage the approval process does not track the life cycle of a request<sup>24</sup> and (2) FNS and CMS regional offices do not have a central tracking system (although some of these regional offices used automated spreadsheets to track the status of state requests). According to an FNS official, one of the agency's regions

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<sup>22</sup>Except for APD updates submitted to the Department of Health and Human Services, agencies are required to respond to the state within 60 days.

<sup>23</sup>GAO-02-121 (Jan. 31, 2002).

<sup>24</sup>The system used by ACF and CMS tracks the state request and the federal response. However, if the federal response is to ask for additional information, the case is generally closed with the date of the letter requesting the information, even though the federal agency has not made a final approval or disapproval determination. A state response to this request for additional information is then given a separate case number and tracked separately.

had developed a central tracking system to be used by all regions, but it is not being used because staff found that it required too much data entry and it was easier to use their own spreadsheets. In addition, at the conclusion of our review, a CMS official reported that the agency had recently implemented a centralized tracking system for state submissions related to the Health Insurance Portability and Accountability Act.

Since the Food Stamps program had a relatively small number of cases, we reviewed copies of state requests and federal approval letters for fiscal years 2000 and 2001 and determined the average time until the federal approval or disapproval of the state requests to be about 66 days and ranged from 6 to 314 days.<sup>25</sup> Table 2 provides an example of an FNS case in which the initial federal response was in 31 days but the total time to approve the request took an additional 130 days, out of which the agency was awaiting a state reply for 89 days.

**Table 2: Chronology of a Sample Case in Which Agency Response Was Within 60 Days, but Approval Took Much Longer**

Date	Federal or state action	Number of days
4/23/01	State APD update submission was date stamped as received by FNS	
5/24/01	FNS E-mailed questions and concerns	31
6/22/01	State responded to FNS E-mail	29
7/6/01	FNS E-mailed additional questions	14
8/10/01	State responded to additional questions	35
8/23/01	FNS E-mailed additional questions	13
8/28/01	FNS E-mailed additional questions	5
9/14/01	State submitted a revised APD update via E-mail	17
9/19/01	FNS E-mailed question on revised APD update	5
9/20/01	FNS E-mailed additional question	1
9/28/01	State responded to questions on revised APD update	8
10/1/01	FNS provided final approval of revised APD update	3
Total number of days to approval		161

Source: GAO analysis of FNS file.

As illustrated by the FNS example, the length of the approval process can be substantial and attributable to both the states and the federal agencies,

<sup>25</sup>The final disposition of one of these cases has not yet been made, about a year after the receipt of the request.

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which makes tracking the state requests throughout their life cycle important to determining the cause of delays.

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## Federal Actions on State Submissions Are Generally within Prescribed Timeframes

Although we generally could not determine the total time it took for the federal agencies to approve or disapprove a state request, we were able to ascertain whether the agencies responded (i.e., approved, disapproved, or requested additional information) to the states within 60 days, as generally required. In fiscal years 2000 and 2001, states submitted almost 1,150 requests for federal approval related to the four federal programs:<sup>26</sup>

- 377 planning (APDs and APD updates) and acquisition documents (RFPs, contracts, and contract modifications) for the Child Support Enforcement program;
- 212 planning and acquisition documents for the Child Welfare program;
- 370 planning and acquisition documents for the Medicaid program;
- 75 planning and acquisition documents that were reviewed by two or more of the HHS programs in our review; and
- 105 planning and acquisition documents for the Food Stamps program.

The three federal agencies responded to these state requests within 60 days about 89 percent of the time.<sup>27</sup>

Figure 2 shows the extent to which Agriculture and HHS responses exceeded 60 days (app. IV provides additional detail of this analysis). Although we were able to determine the percentage of requests that were completed within 60 days, we could not rely on data from the system used by ACF and CMS headquarters for a more thorough analysis (e.g., a further

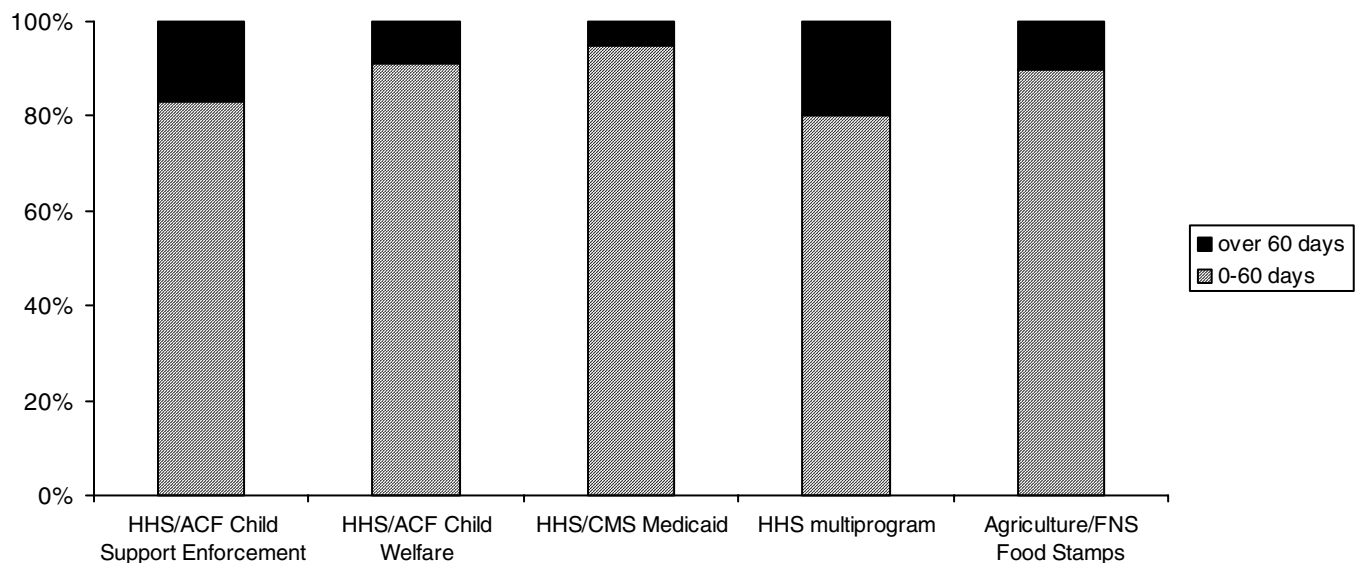
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<sup>26</sup>For ACF and Medicaid headquarters (which use a common tracking system), each state submission, along with its federal response, is generally tracked separately. Therefore, if ACF or CMS headquarters responded to a state by requesting additional information, the state response (or resubmission of a corrected document) would be counted as a second submission. In contrast, under the same scenario, FNS and CMS regional offices, which do not have a central tracking system, would count the state response or resubmission as part of the original submission.

<sup>27</sup>According to regulations of the departments of Agriculture and HHS, the 60-day requirement for federal response begins on the date the federal government sends an acknowledgement letter to the state. While ACF and CMS headquarter sent acknowledgement letters, some FNS and CMS regional offices did not. In the latter instances, we calculated the time to respond from the date stamp or date of the state letter. In addition, federal responses generally took the form of a letter or E-mail, but in a few cases it was a telephone call or a meeting with state officials.

breakdown of how long it took for the federal government to provide its initial response). In comparing the dates in this system to the actual documentation, we found numerous discrepancies (see appendix V for more information on the data reliability concerns associated with this system).

**Figure 2: Percentage of Cases in Which the Agency Response Exceeded 60 Days<sup>a</sup>**



<sup>a</sup>This analysis includes APD updates. However, except for the Food Stamps program, the agencies are not required to provide their response to states within 60 days for APD updates.

Note: The HHS multiprogram category contains state requests that involved two or more of the HHS programs in our review. For multiprogram requests at HHS, the department sends a single response to the state. The majority of the cases in the Child Support Enforcement, Child Welfare, and Medicaid categories were for single-program requests (some requests included other federal programs).

Source: GAO analysis based on agency data.

ACF's acting deputy assistant secretary for administration did not agree with the inclusion of APD updates in our analysis, noting that ACF and CMS are not required to respond to this type of state request within 60 days. Although ACF and CMS are not required to respond to the states within 60 days for APD updates, these are critical documents that require federal approval in order for states to continue receiving federal funding. In addition, in some cases, a federal agency has withheld approval of other



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state submissions, such as an RFP, pending the approval of an APD update, which illustrates the importance of timely federal responses to the states for APD updates. Finally, as I just mentioned, we had to limit our analysis of the timeliness of the federal agency responses because of the numerous errors we found in the dates contained in the system used by ACF and CMS headquarters. We chose 60 days as our cutoff point because the regulations generally called for an agency response within this timeframe and ACF officials told us that they try to respond to all state requests, including APD updates, within 60 days.

At the conclusion of our review, ACF and CMS officials also explained that the timeliness of the HHS multiprogram cases suffers because these projects are almost always large, expensive, and complex undertakings that frequently require more analysis, extensive coordination with other federal agencies (both within and outside of HHS) and additional discussions with the state. In addition, ACF officials stated that other required responsibilities, such as the performance of certification reviews for certain state systems, affected the timeliness of their reviews.

In about half of the 51 cases taking over 60 days that we reviewed, we could not ascertain why the agency took additional time to respond to the state request because the applicable federal analyst was no longer with the agency or the analyst could not provide an explanation. However, when reasons were cited for the late federal response, the most common were (1) resource issues (e.g., lack of staff), (2) complicated issues to be resolved, (3) multilayer review within the agency, and (4) difficulty in reaching agreement with another agency.

In addition, in those cases in which the federal agency requested additional information or approved the state request but asked the state to address certain concerns, there was no single common issue or problem. Instead agencies raised a variety of issues in their responses to the states requests, which are summarized in table 3.

**Table 3: Summary of Federal Agency Issues for 29 Cases<sup>a</sup> in Which the Federal Response Exceeded 60 Days**

<b>Issues</b>	<b>Number of times cited<sup>b</sup></b>
Cost estimate issues, including unexplained, incomplete, inconsistent, and inaccurate amounts	17
Cost allocation issues	13
Missing required elements of the submission	7
Functionality issues, such as how the system will meet its goals and objectives	7
Other	13

<sup>a</sup>We reviewed a total of 51 cases in which the federal agency response was over 60 days but 22 were approvals without any outstanding federal issues or the documentation indicated that the federal agency requested additional information but did not provide any details.

<sup>b</sup>More than one issue may have been cited by the agency.

Source: GAO analysis.

## State Officials Cited Limited Impact on Projects Due to Federal Responses Provided After 60 Days

According to state officials involved in 48 of the 51 cases (at 22 states) that we reviewed in which the federal agency took over 60 days to respond, the timing of the federal response reportedly had no negative impact on state IT projects. State officials cited various reasons for the lack of negative impact on their projects. Specifically, the effect of some of the federal responses that were over 60 days was mitigated because the state maintained good communications with the federal agencies or had sufficient state funding to continue the project. In other cases, additional or concurrent delays were caused by internal state processes or the state was seeking retroactive approval for a document. For example, officials from seven states reported that they maintain a good working relationship or communication with the federal agency that performed the review. Other states used their own funding to continue project planning while awaiting federal approval. Also, in three cases, state officials reported that an internal state review process contributed to the delay. Finally, in six cases that we reviewed, the states requested retroactive approval for actions they had already taken.

Although most states reported no negative impact on their projects, officials in three states (related to three cases) reported project delays, funding losses, and other negative impacts because of the federal approval process. For example, an official from one state's public welfare office asserted that the federal delay in reviewing an APD caused the project to be temporarily delayed for several weeks and that the project staff was reassigned until the response was received. In another case, the state's

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federal liaison reported that the late federal response caused a delay in the release of an RFP and the loss of state funding. Specifically, according to the state's federal liaison, by the time the state received the final federal approval of an APD update and accompanying RFP, the state legislature had frozen spending on all new IT expenditures until the beginning of the new state fiscal year. As a result, according to this official, as of late June, the state funding earmarked for this project had not been released and the planned RFP had not yet been issued.

Similar to the responses provided on the effect of the federal delay, in 18 of the 24 cases in which the federal agency requested additional information,<sup>28</sup> state officials stated that the federal requests were reasonable. For example, ACF disagreed with one state's APD update request because it contained inadequate cost and benefit information and requested that the state resubmit a revised document. The state official for this project agreed with the agency's assessment and resubmitted a revised APD update. However, in six cases (in two states), the state officials did not believe that the federal request was reasonable. For example, one state Chief Information Officer stated that although there were some valid points in ACF's response to an APD request, other points (1) indicated a lack of technical sophistication or understanding of the state project and (2) misapplied the federal regulation. This Chief Information Officer noted that the state had to devote staff time to responding to these federal issues.

Although they generally did not cite a negative impact in the particular cases in our review, officials from about one-third of the states in our review mentioned problems related to the overall federal approval process or sought a more streamlined process. For example, officials in two states told us that the overall process takes too long. One of these officials noted that each part of the federal review process "seems to take 60 days" and makes the overall time too long. Other comments were that (1) it is challenging to meet the many requirements for receiving federal funds, (2) the federal APD process is costly to comply with, and (3) federal reviewers are not as accessible as in the past and communication had declined. Finally, according to an official in one state, one agency routinely requested more information than the official believed was necessary, asserting that about one-half of his staff was needed to respond to these requests.

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<sup>28</sup>In some cases, the federal agency approved the state request but also requested that additional information be provided.

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ACF's acting deputy assistant secretary for administration and FNS' information technology division director noted that we did not address what, if any, concerns the federal agencies had with the state submissions in our review or the validity of the state officials' views. As I mentioned at the beginning of my statement, the scope of our review was limited to analyzing the timeliness of the federal response and discussing the effect of the response with appropriate state officials. Accordingly, we did not review the adequacy of the federal responses or corroborate the views of the state officials.

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## Federal Agencies Began Work to Improve the Federal Approval Process, but Progress Is Slow

Responding to state complaints that the APD process was burdensome and a prior GAO recommendation to identify and implement plans to facilitate states' efforts to improve their systems,<sup>29</sup> in June 2000 ACF, CMS, and FNS established a workgroup to improve the federal approval process. In the summer of 2001, this workgroup, which obtained feedback on the approval process from nine states, proposed raising the threshold for when states have to submit a request for approval. The workgroup originally believed that this change could be done administratively. However, HHS's Office of the General Counsel ruled that such a change would have to go through the regulatory process, which involves a review process and public comment period. As of mid-April, the chair of this workgroup stated that the agencies had not yet decided whether to pursue a regulatory change. This workgroup also considered whether to propose other changes to the federal approval process, such as adopting a streamlined APD format used by CMS for requests related to the Health Insurance Portability and Accountability Act.

After several meetings to discuss and develop plans, the progress of this workgroup has stalled. According to the chairman of the workgroup, little progress has been made since the summer of 2001. He stated that progress began to slow down when the agencies underwent leadership changes. In addition, according to the chairman, although the workgroup has continued to meet, there is no consensus among the federal partners about the direction to take in improving the federal process. As a result, at this time there are no plans to change the APD process.

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<sup>29</sup>U.S. General Accounting Office, *Welfare Reform: Improving State Automated Systems Requires Coordinated Federal Effort*, GAO/HEHS-00-48 (Washington, D.C., Apr. 27, 2000).

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## Agency Responses to State Cost Allocation Plans for IT Projects Are Sometimes Inconsistent

While federal officials from the departments of Agriculture and HHS stated that they ensure the consistency of cost allocation requirements for IT projects by coordinating their reviews, we identified instances of inconsistent federal actions. Specifically, in 3 of 11 cases we reviewed,<sup>30</sup> FNS and HHS provided different directions to the states, largely due to a lack of effective coordination among the federal departments. State officials told us that such federal inconsistency can cause additional state staff time to negotiate and resolve the differences and ultimately can affect a project's funding.

When submitting an APD or, in some cases, an APD update, states are required to submit cost allocation plans. These plans are used to identify, measure, and allocate expected project costs between the state and the federal program(s). Governmentwide guidance pertaining to cost allocation is explained in OMB Circular A-87 and in *A Guide for State, Local, and Indian Tribal Governments: Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government—Implementation Guide for Office of Management and Budget Circular A-87*. The cost allocation requirements set forth in OMB Circular A-87 are based on 31 U.S.C. 1301(a), which provides that an agency, absent statutory authority, may not expend appropriated funds for purposes other than those for which the appropriations were made. Since the cost allocation principles that are articulated in OMB Circular No. A-87 are statutorily based, they are not subject to agency discretion. Moreover, the principles also apply to appropriations provided through an agency grant to a state, such as in the case of the four programs in our review.

OMB Circular A-87 provides the states wide latitude in developing a cost allocation plan. According to the circular, to receive federal approval, the cost allocation plan must be complete and provide sufficient detail to demonstrate that the costs are allowable and fairly allocated among the various federal and state programs that benefit from the project. Thus, states are free to submit plans using a wide variety of methodologies, within the scope of the requirements set forth by OMB Circular A-87. For example, a state may submit a cost allocation methodology that allocates project costs based on the size of program caseloads.

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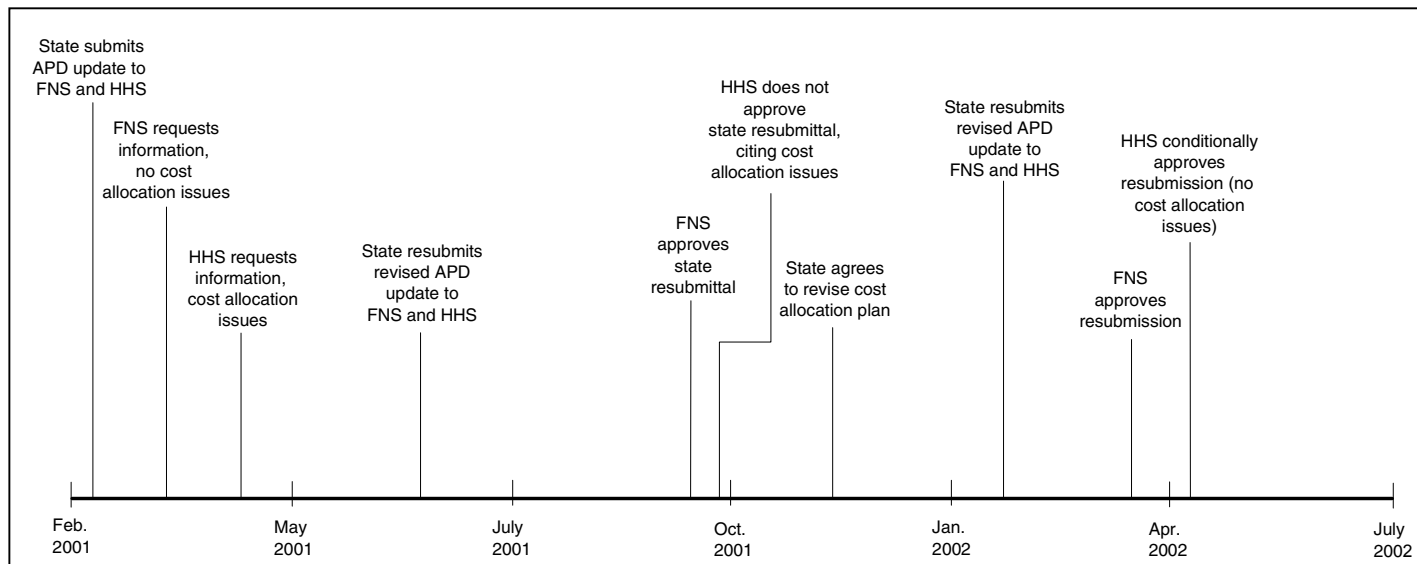
<sup>30</sup>These 11 cases were common submissions in which at least one of the departments' responses to the state exceeded 60 days. There could be additional state submissions sent to both the departments of Agriculture and HHS that we did not identify because both departments responded within 60 days or the documents were not clear that it was a common submission (e.g., the dates of the state submission to the two departments were significantly different).

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State cost allocation plans for systems development and acquisition projects must be approved by each federal agency expected to provide funding. In the case of multiprogram projects, ACF's State Systems Policy Division coordinates the review of these plans by the various program divisions within the department to help ensure that the circular is consistently applied within HHS. This division also helps resolve differences resulting from the various program division reviews and then issues the department's response to the state request. FNS performs a separate review and provides its own response to a state for multiprogram reviews. FNS, ACF, and CMS officials stated that they coordinate their cost allocation issues to ensure consistency.

Although the federal agencies reported coordinating their responses, we found examples of inconsistent federal responses. Specifically, while ACF and FNS provided a consistent response in eight cases in which there was a common APD or APD update submitted to the agencies (i.e., neither department disagreed with the plan submitted by the state), in three other cases (for three states), one agency questioned the cost allocation plan or methodology proposed by the state, whereas the other did not. In one example, FNS approved an APD update, whereas ACF did not approve the same submission, in part due to cost allocation concerns. Although after several discussions with ACF, the state agreed to change the case load statistics being used in support of its cost allocation plan, it also requested that FNS and ACF coordinate their instructions to the state in reviewing the revised plan. Figure 3 provides a timeline of this example, which illustrates this disagreement as well as the 13 months and multiple state submissions necessary before federal approval was provided. State officials involved in this case stated that receiving inconsistent initial directions from federal agencies, having to negotiate an agreement satisfactory to both federal agencies, and having to change their cost allocation plan took three state staff over 2 months and may negatively affect the amount of the federal funding reimbursement for this project.

**Figure 3: Timeline of a Sample Cost Allocation Case In Which the Federal Responses Were Inconsistent**



Source: GAO, based on agency and state documents.

In another example, FNS questioned a state's submission of an APD update because the submission did not contain a cost allocation plan and requested the state to submit documentation explaining how the costs would be allocated for this project. However, ACF (responding on behalf of CMS) approved the APD update without comment.

Examples such as these illustrate the importance of effective federal coordination. At the conclusion of our review, HHS officials stated that communication among the federal agencies on multiprogram projects is very important and may have deteriorated in recent years due to significant staff attrition. One of the ACF officials also asserted that there can be valid reasons for agencies having different opinions of a state's cost allocation plan. Nevertheless, the HHS officials acknowledged that the correspondence from the federal agencies to the states should be explicit

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and well-coordinated in order to avoid misunderstandings. Without such coordination, states can be put in the untenable position of trying to satisfy competing or even contradictory federal direction.

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In summary, Mr. Chairman, the federal approval and funding process in which states are required to submit various planning and acquisition documents for federal agency approval is largely governed by regulation. As a result, changing the existing process would require modifying regulations and, possibly, legislation to amend current statutes. One major concern that the states have with this process is that it can be untimely and can negatively affect state system initiatives. However, complete and reliable data on the total time to process a state request throughout its life cycle are not available to assess the timeliness of the overall agencies' approval process. Nevertheless, the federal agencies' responses to state requests, which may be to request additional information, generally have been within 60 days—the timeframe generally prescribed by the regulations, and when the response has been beyond 60 days, the vast majority of state officials in our review stated that there was no impact on the state IT project. However, the federal agencies did not always adequately coordinate their reviews of one critical aspect of the APD process, the cost allocation plan.

State concerns regarding the timeliness of federal reviews and inconsistent federal responses could be addressed by the federal agencies' workgroup formed to improve the federal approval process, but this group has made little progress in the 2 years it has been in place, and it has no plans to change the APD process. This workgroup needs to expeditiously reach agreement on a plan, including specific tasks and milestones that will address improving the APD process, including (1) the feasibility of tracking state requests throughout their life cycle and (2) how the departments of Agriculture and HHS can more effectively coordinate their responses to the states.

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## Contacts and Acknowledgments

For information about this testimony, please contact me at (202) 512-6257 or by E-mail at [mcclured@gao.gov](mailto:mcclured@gao.gov). Individuals making key contributions to this testimony include Robert Crocker, Jr., Pamlutricia Greenleaf, Norman Heyl, James Houtz, Franklin Jackson, Brian Johnson, and Linda Lambert.



## Selected Federally Funded State-Administered Human Services Programs

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### Department of Agriculture

**Food Stamps:** This program provides low-income households with coupons or electronic benefits transfer cards to ensure that they have resources with which to obtain food. The Food and Nutrition Service (FNS) funds the program benefits, while state agencies administer it at the state and local levels.

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### Department of Health and Human Services

**Child Support Enforcement:** This federal/state-funded program provides four major services—locating noncustodial parents, establishing paternity, establishing child support obligations, and enforcing child support orders—to ensure that children are financially supported by both parents. The Administration for Children and Families (ACF) provides funding to states and local governments to run this program.

**Child Welfare:** This federal/state-funded program provides federal grants for programs delivering foster care, adoption assistance, independent living for older foster children, family preservation and support services, child welfare services, prevention of neglect/disabled infants, and programs designed to improve the investigation and prosecution of child abuse and neglect cases. ACF provides grants to states and local agencies to develop and administer such programs.

**Medicaid:** This is a federal/state-funded health care program furnishing medical assistance to eligible needy persons, which is overseen by the Centers for Medicare and Medicaid Services (CMS). Within broad federal guidelines, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program.

## Scope and Methodology

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To determine the statutory and regulatory requirements for federal approval and funding of state information technology (IT) development and acquisition projects for the Child Support Enforcement, Child Welfare, Medicaid, and Food Stamps programs, we reviewed applicable provisions of the U.S. Code and Code of Federal Regulations. In addition, we reviewed committee and conference reports to ascertain the legislative history of certain provisions.

To assess whether agency processes for reviewing, approving, and funding state IT development and acquisition projects for the four programs in our reviews hindered or delayed states' efforts to obtain approval for these projects, we reviewed the departments of Agriculture and HHS's regulations, policies, and procedures related to the approval of Advance Planning Documents (APD), APD updates, requests for proposals (RFP), and contracts and contract modifications. We also interviewed applicable agency officials, including the chairman of the workgroup formed to improve federal processes.

In addition, we obtained information from ACF, CMS, and FNS on the time it took for the agencies to respond to state requests that were submitted in fiscal years 2000 and 2001. For ACF and CMS headquarters, this information was obtained from the State Systems Approval Information System (SSAIS). We assessed the reliability of this system by reviewing the documentation supporting the cases listed in the SSAIS that were over 60 days old and a sample of cases that were listed as having been completed in 60 days or less. Except for the Child Support Enforcement program, the types of errors we found did not affect the results of our analysis. In the case of Child Support Enforcement, the type and extent of errors we found caused us to verify the dates of all cases in the system against the actual documentation. While we were able to perform sufficient work to perform the analysis provided in this report, we found a significant number of errors in the dates contained in this system, which is explained further in appendix IV.

Because CMS regional offices and FNS do not have a central system that tracks state requests, we obtained summary data from these organizations, which we verified. For FNS, we obtained all relevant documentation needed to confirm the state request and federal response dates because our preliminary analysis found substantive errors in the summary provided by the agency. For CMS, we obtained relevant documentation on all requests that took over 60 days to complete and a sample of all those that took 60 days or less.

We also reviewed 51 cases for 22 states in which the federal agency responded to the state in over 60 days to assess the types of issues

## Scope and Methodology

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involved and ascertain the reasons why it took longer than 60 days. We chose cases to obtain a variety of states and types of requests (e.g., APD, APD update, RFP, or contract). We interviewed applicable federal analysts to determine why the response was delayed. In addition, we interviewed appropriate state officials about the reasonableness of the federal response and to ascertain what impact, if any, the federal delay had on the project. However, we did not assess the adequacy of the analyses performed and subsequent response by the applicable federal agency. Table 4 shows the number of cases we reviewed by state and program.

## Scope and Methodology

**Table 4: Cases We Reviewed That Took over 60 Days for a Federal Response, by State and Program**

State	Department of Health and Human Services				Department of Agriculture
	ACF/Child Support Enforcement	ACF/Child Welfare	CMS/Medicaid	Multiprogram <sup>a</sup>	FNS/Food Stamps
Alaska	1 ADP update	None	None	None	None
Arizona	None	None	None	1 APD update	None
Arkansas	1 contract	None	None	None	None
California	1 APD update 1 contract	None	None	3 APD updates	5 APD updates 1 contract modification
Delaware	1 APD update 2 contract modifications	None	None	None	None
Georgia	None	None	1 APD	1 APD	None
Idaho	1 RFP	None	None	None	None
Illinois	None	1 APD update 2 contracts	None	None	None
Maine	None	None	1 APD update	None	None
Maryland	None	1 APD update	None	1 contract modification	1 APD update
Missouri	None	None	None	None	1 APD update
Nevada	None	1 APD update	None	None	2 APD updates
New Hampshire	None	None	1 APD	None	None
New Jersey	1 APD update	None	None	2 APDs 3 APD updates	None
New Mexico	1 APD update	None	None	1 APD	None
North Dakota	1 APD update 1 RFP	1 APD update	None	None	None
Pennsylvania	1 contract modification	None	1 APD	None	None
South Carolina	None	None	1 APD	None	None
Utah	None	None	None	1 APD update	None
Vermont	None	None	None	1 contract	None
West Virginia	None	None	None	None	1 contract
Wyoming	1 APD update 1 contract	None	None	None	None

<sup>a</sup>This category contains state requests that involved two or more of the HHS programs in our review. For multiprogram requests at HHS, the department sends a single response to the state. The majority of the cases in the Child Support Enforcement, Child Welfare, and Medicaid categories were for single-program requests (some requests included other federal programs). Source: GAO, based on agency documentation.

To determine how agencies ensure that they consistently apply the Office of Management and Budget's (OMB) Circular A-87, for funding IT development and acquisition projects, we reviewed the circular and discussed its applicability with officials from OMB and each of the agencies. We also compared the departments of Agriculture and HHS's responses for 11 APDs and APD updates.

## Scope and Methodology

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We performed our work at ACF headquarters in Washington, D.C.; CMS headquarters in Baltimore, Md., and FNS headquarters in Alexandria, Va.; CMS regional offices in Atlanta, Ga., Boston, Ma., and San Francisco, Ca.; and FNS regional offices in Atlanta, Ga., Boston, Ma., Robbinsville, N.J., and San Francisco, Ca. We conducted our review between August 2001 and mid-June 2002 in accordance with generally accepted government audit standards.

# Selected Federal Statutory and Regulatory Requirements Related to Obtaining Federal Financial Participation Funding

Type of request	Department of Health and Human Services			Department of Agriculture
	ACF/Child Support Enforcement <sup>a</sup>	ACF/Child Welfare <sup>a</sup>	CMS/Medicaid <sup>a</sup>	FNS/Food Stamps
<i>State requirements</i>				
APDs	42 U.S.C. Sec. 654(16) requires states to submit APDs for mandated statewide automated data processing and information retrieval systems. <sup>b</sup> Also covered by requirements set forth in 45 C.F.R. Sec. 95.611.	45 C.F.R. Sec. 95.611 requires states to obtain prior written approval of APDs for automated data processing systems if the system is expected to exceed \$5 million (\$1 million if noncompetitively acquired from a nongovernment source).	See Child Welfare requirements	7 C.F.R. Sec. 277.18 (c) requires states to obtain prior written approval of APDs for automated data processing systems with an expected cost exceeding \$5 million (\$1 million if noncompetitively acquired from a nongovernment source).. If the request involves electronic benefits transfer systems, there is no threshold.
APD updates	42 U.S.C. Sec. 654(16) requires states to annually update their APDs. Also covered by requirements set forth in 45 C.F.R. Sec. 95.611, as explained in the Child Welfare column.	45 C.F.R. Sec. 95.611 requires states to annually update their APDs when the project has a total acquisition cost of \$5 million or, in the case of "as needed" APD updates, <sup>c</sup> when the change causes an increase of more than \$1 million, a schedule extension of 60 days or more for major milestones, a significant change in the procurement approach, a change in system concept or scope, or a change to the approved cost allocation methodology.	See Child Welfare requirements	7 C.F.R. Sec. 277.18 (e) requires states to annually update their APDs if the expected cost of the project is expected to exceed \$5 million or, in the case of "as needed" APD updates, <sup>c</sup> when the change causes an increase of more than \$1 million, a schedule extension of 60 days or more for major milestones, a significant change in the procurement approach, a change in system concept or scope, or a change to the approved cost allocation methodology.
RFPs	45 C.F.R. Sec. 95.611 requires states to submit RFPs for approval for purchases of automated data processing equipment or services if it exceeds \$5 million when competitively acquired and \$1 million when non-competitively acquired.	See Child Support Enforcement requirement	See Child Support Enforcement requirement	7 C.F.R. Sec. 277.18 (c) requires states to submit RFPs for approval for purchases of automated data processing systems with an expected cost exceeding \$5 million if competitively bid and \$1 million if not competitively bid. If the request involves electronic benefits transfer systems, there is no threshold.
Contracts/ contract modifications	45 C.F.R. Sec. 95.611 requires states to submit contracts for approval for purchases of automated data processing equipment or services if the system is expected to	See Child Support Enforcement requirement	See Child Support Enforcement requirement	7 C.F.R. Sec. 277.18 (c) requires states to submit contracts for approval for purchases of automated data processing equipment or services if the system is expected to exceed \$5 million when competitively

# Selected Federal Statutory and Regulatory Requirements Related to Obtaining Federal Financial Participation Funding

Type of request	Department of Health and Human Services			Department of Agriculture
	ACF/Child Support Enforcement <sup>a</sup>	ACF/Child Welfare <sup>a</sup>	CMS/Medicaid <sup>a</sup>	FNS/Food Stamps
	exceed \$5 million when competitively acquired and \$1 million when noncompetitively acquired. Approval is required of a contract modification if it includes an increase of more than \$1 million or more than a 120-day schedule change.			acquired and \$1 million when noncompetitively acquired. If the contract involves electronic benefits transfer systems, there is no threshold. Approval is required of a contract modification if it includes an increase of more than \$1 million or more than a 120-day schedule change.
<i>Federal approval requirements</i>				
APDs	45 C.F.R. Sec. 95.611 requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive provisional approval, which allows the state to proceed, if the federal response is not provided within 60 days.	See Child Support Enforcement requirement	See Child Support Enforcement requirement	7 C.F.R. Sec. 277.18 (c) requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive provisional approval, which allows the state to proceed, if the federal response is not provided within 60 days.
APD updates	No statutory or regulatory time limit is set for approval.	No statutory or regulatory time limit is set for approval.	No statutory or regulatory time limit is set for approval.	7 C.F.R. Sec. 277.18 (c) requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive provisional approval, which allows the state to proceed, if the federal response is not provided within 60 days.
RFPs	45 C.F.R. Sec. 95.611 requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive	See Child Support Enforcement requirement	See Child Support Enforcement requirement	7 C.F.R. Sec. 277.18 (c) requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive provisional approval, which allows the state to proceed, if the federal response is not provided

## Selected Federal Statutory and Regulatory Requirements Related to Obtaining Federal Financial Participation Funding

Type of request	Department of Health and Human Services			Department of Agriculture
	ACF/Child Support Enforcement <sup>a</sup>	ACF/Child Welfare <sup>a</sup>	CMS/Medicaid <sup>a</sup>	FNS/Food Stamps
	provisional approval, which allows the state to proceed, if the federal response is not provided within 60 days.			within 60 days.
Contracts/Contract modifications	45 C.F.R. Sec. 95.611 requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive provisional approval, which allows the state to proceed, if the federal response is not provided within 60 days.	See Child Support Enforcement requirement	See Child Support Enforcement requirement	7 C.F.R. Sec. 277.18 (c) requires the agency to approve, disapprove, or request additional information within 60 days of the date of acknowledgment of receipt of the state request. States automatically receive provisional approval, which allows the state to proceed, if the federal response is not provided within 60 days.

<sup>a</sup>The thresholds discussed in this table address only current IT development and acquisition projects. Different or no thresholds apply to those IT projects that began when the Child Support Enforcement, Child Welfare, and Medicaid programs provided enhanced funding to states.

<sup>b</sup>The Family Support Act of 1988 requires states to implement statewide child support enforcement systems.

<sup>c</sup>APDs are required to be updated annually or “as needed,” which is defined as when there is a projected cost increase of \$1 million or more, a schedule extension for major milestones of more than 60 days, a significant change in the procurement approach, a change in system concept or scope, or a change to the approved cost allocation methodology.

Source: GAO, based on an analysis of applicable federal statutes and regulations.



# Number of Days for Federal Response to a State Request

Agency/program	Type of request <sup>a</sup>	Federal response time <sup>b</sup>		
		0–60 days	Over 60 days	Percentage over 60 days (%)
ACF/Child Support Enforcement	Advance planning document (APD)	8	1	11
	APD update <sup>c</sup>	80	43	35
	Request for proposal (RFP)	106	6	5
	Contract/contract modification	120	13	10
ACF/Child Welfare	APD	10	2	17
	APD update <sup>c</sup>	71	11	13
	RFP	32	1	3
	Contract/contract modification	80	5	6
CMS/Medicaid <sup>d</sup>	APD	149	10	6
	APD update <sup>c</sup>	42	4	9
	RFP	39	1	3
	Contract/contract modification	120	5	4
HHS multiprogram <sup>e</sup>	APD	10	5	33
	APD update <sup>c</sup>	22	8	27
	RFP	9	0	None
	Contract/contract modification	19	2	10
FNS/Food Stamps	APD	24	1	4
	APD update	21	8	28
	RFP	23	0	None
	Contract/contract modification	26	2	7

<sup>a</sup>For ACF and Medicaid headquarters, which use a common tracking system, each state submission, along with its federal response, is generally tracked separately. Therefore, if ACF or CMS headquarters responded to a state by requesting additional information, the state response (or resubmission of a corrected document) would be counted as a second submission. In contrast, under the same scenario, FNS and CMS regional offices, which do not have a central tracking system, would count the state response or resubmission as part of the original submission.

<sup>b</sup>According to regulations of the departments of Agriculture and HHS, the 60-day requirement for federal response begins on the date the federal government sends an acknowledgement letter to the state. While ACF and CMS headquarters sent acknowledgement letters, some FNS and CMS regional offices did not. In the latter instances, we calculated the time to respond from the regional office receipt date stamp or date of the state letter. This federal response generally took the form of a letter or E-mail, but in a few cases it was a documented telephone call or a meeting with state officials.

<sup>c</sup>The regulation does not set a time limit for a federal response to an APD update for these programs.

<sup>d</sup>Three additional Medicaid cases are not included in this table because the applicable regional offices (1) did not review two state requests and (2) could not provide the date of the state request.

<sup>e</sup>This category contains state requests that involved two or more of the HHS programs in our review. For multiprogram requests at HHS, the department sends a single response to the state. The majority of the cases in the Child Support Enforcement, Child Welfare, and Medicaid categories were for single-program requests (some requests included other federal programs).

Source: GAO analysis based on agency information.

## Data Reliability Concerns

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In attempting to obtain statistics on how long the federal agencies took to respond to state requests, we encountered substantial data reliability problems related to the SSAIS, which is used to track these data for the Child Support Enforcement, Child Welfare, and Medicaid (headquarters only) programs.<sup>31</sup> The SSAIS assigns a tracking number to each state submission, and ACF officials are responsible for entering information related to the federal review process, including the date that the state request was acknowledged and the date that the federal response was sent.<sup>32</sup> SSAIS also calculates the number of days in review based on these dates.

To determine whether we could rely on the number of days in review calculated by this system, we performed a preliminary review of a sample of cases. Because we found numerous errors during this preliminary review, we decided to limit our analysis to determining the number of federal responses completed within or over 60 days. Accordingly, we checked the dates in the system for all cases reportedly over 60 days and a sample of cases 60 days or less and made adjustments to the data as needed.<sup>33</sup> We found that over half of the cases we reviewed had errors in one or more of the dates in the system. However, only a few of the errors affected the category in which the case was placed.

An official in ACF's Office of Child Support Enforcement attributed the incorrect dates in the system to a number of reasons, including (1) human error in entering the data; (2) a system that is not user friendly;<sup>34</sup> (3) the official not being informed when superiors actually sign a response; and (4) the official not being informed when administrative staff date and send

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<sup>31</sup>CMS headquarters reviews state Medicaid eligibility system requests, while its regional offices review other Medicaid system requests (primarily related to Medicaid Management Information Systems). There is no central system used to track state requests and federal responses for the regional offices.

<sup>32</sup>Because CMS cannot enter data into the SSAIS, ACF performs this function for this agency.

<sup>33</sup>Because we found three errors related to the Child Support Enforcement program in which the category the case was to be placed in moved from 60 days and below to over 60 days, we reviewed all cases for this program.

<sup>34</sup>When entering the case closure, the system defaults to the current date, and it takes several operations to change the date to the date of the letter, if it is different. Also, in certain situations, when program managers query the system to determine the current status of cases, the system will automatically close the case on the date of the query.

## Data Reliability Concerns

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the response. ACF needs to ensure that appropriate processes are put in place to make certain that the data in the SSAIS are accurate and reliable to improve its usefulness as a management tool.

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